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June 9, 1978

TO: CITY COUNCIL

FROM: NORMAN R. KING, CITY MANAGER

SUBJECT: POTENTIAL "ONE-TIME" FUNDING OF PROPOSITION 13 TRANSITION COSTS

As the city council is aware, upon passage of proposition 13 it has been the intent of the council to use a portion of the year-end balances to phase the implementation of various cutbacks related to proposition 13. This memo describes some of the anticipated year-end balances which will be available as of June 30, 1978, and recommends that certain capital projects not be constructed and rather that the funds be allocated to increase the amount of one-time money available for transition costs. Furthermore, recommendations are made regarding the tentative manner in which the balances might be allocated. It is recognized at the onset that these balances are previous; and that they are unlikely to be repeated in the future.

1977-78 BALANCE (Table I)

The following table illustrates the projected General Fund balance situation on June 30, 1978:

Unallocated Funds Available

1. Estimated Year End Balance (June 30, 1978)	\$859,000
2. Less Carryover for Projects Authorized in 1977-78	<u>380,000</u>
3. Total Potential Amount Available (June 30, 1978)	479,000

PROJECTS RECOMMENDED FOR DEFUNDING (Table II)

In addition the council will probably wish to consider defunding certain previously authorized projects either because the funds can best be used elsewhere and/or because such projects would cause the city to incur additional maintenance cost for which funding will not be available under proposition 13. I would recommend that the following projects be defunded (note that the council could reauthorize such projects in the unlikely situation that the financial picture changes).

TABLE II: Projects Recommended for Defunding:

1. Community Sports Park	\$115,000
2. City facilities (fire station remodeling, warehouse)	80,000

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3. Tree Trimming Truck	\$ 15,000	
4. Mills Ave. Offramps	50,000	(this was previously recommended for deletion in the 1978-79 budget)
5. Other <sup>1</sup>	<u>?</u>	
Total	\$260,000	

PROJECTS RECOMMENDED TO FUND (Table III)

The original proposed 1978-79 budget recommended allocating an additional total of \$380,000 to various one-time projects and expenses. These are listed on Table V of the budget message. As of this time I would recommend that the projects on this list not be funded with the following exceptions:

Table III: New One-Time Projects Recommended for Funding:


1. Energy Conservation Improvements	\$ 50,000	(these funds would be spent only to reduce future city costs)
2. City Yard Security	16,000	(some additional non-expense incurring improvements may be necessary)
3. One-Time County Building Inspection Contract Payment	15,000	
4. General Plan Printing	5,000	(we need to do something when the general plan is finalized)
5. Juvenile Diversion	?	
6. Handicapped Transportation	<u>?</u>	
Total Projects now recommended	(86,000)	
Total projects previously recommended (proposed budget)	<u>380,000</u>	
Total project amount no longer recommended	\$294,000	

## SUMMARY:

In summary, the following funds from the general fund are available for possible transition expenditures:

1. Total potential balance (June 30, 1978)	\$ 479,000
2. Total of projects recommended for defunding	260,000
3. Total projects now recommended for 1978-79	<u>(86,000)</u>
4. GRAND TOTAL (available one-time balance)	\$ 653,000

<sup>1</sup>  
After further analysis, additional projects (such as Baseline traffic signals) may be recommended for defunding.



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Possible Transition Cost:

At this time it is possible to tentatively identify some of the transition costs which we may expect to incur. The costs are as follows:

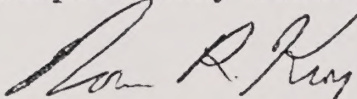
1. Funds to carry terminated employees from July 1 to September 30	\$ 75,000
2. Funds to carry selected positions as necessary beyond September 30, 1978	50,000
3. Legal Fund <sup>2</sup>	100,000
4. Vacation Time (payment to terminated employees)	12,000
5. Phasing of non-personnel related cutbacks over three months	<u>75,000</u>
6. Balance available	<u>\$ 341,000</u>
GRAND TOTAL	\$ 653,000

<sup>2</sup> Such funds, of course, would not be spent unless council specifically authorized their expenditure. It is anticipated that as a result of prop. 13 the inequities in municipal finance will be intensified to the point that court action to change present allocation of some revenues may be desirable, particularly in regard to the allocation of the sales tax and the ability of only the charter cities to levy a utility tax. A court suit comparable to the "Serrano" decision may be appropriate.

## RECOMMENDATION:

That the council tentatively approve defunding of those projects listed on Table II and tentatively approve funding of those projects listed on Table III.

Respectfully submitted,



Norman R. King  
City Manager

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